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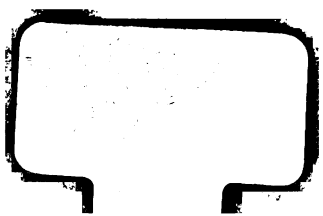

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STATEMENTS

of

MR. WILLIAM DENMAN, Chairman...

before the

UNITED STATES HOUSE

COMMITTEE ON APPROPRIATIONS

64th CONGRESS

United States
Government Printing Office
Washington

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UNITED STATES SHIPPING BOARD

STATEMENTS

OF

MR. WILLIAM DENMAN, CHAIRMAN, AND MR. THEODORE BRENT, COMMISSIONER OF THE SHIPPING BOARD, AND CAPT. CHARLES YATES, COAST AND GEODETIC SURVEY

BEFORE THE

U.S. Congress

SUBCOMMITTEE OF HOUSE COMMITTEE ON APPROPRIATIONS

IN CHARGE OF

SUNDRY CIVIL APPROPRIATION BILL FOR 1918

SIXTY-FOURTH CONGRESS
SECOND SESSION

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UNITED STATES SHIPPING BOARD.

SATURDAY, FEBRUARY 10, 1917.

UNITED STATES SHIPPING BOARD.

STATEMENTS OF MR. WILLIAM DENMAN, CHAIRMAN, AND MR. THEODORE BRENT, COMMISSIONER OF THE SHIPPING BOARD, AND CAPT. CHARLES YATES, COAST AND GEODETIC SURVEY.

GENERAL PLAN OF ORGANIZATION.

The CHAIRMAN. You have submitted an estimate of $700,000. Will you please explain, now, just how you expect to expend this money?

Mr. DENMAN. Our statement will be very full. It will arouse the opposition of our powerful foreign competitors, but we feel that Congress should know what our expenditures are aimed to help in accomplishing.

This board has to perform two classes of functions: First, it has regulatory duties as an administrative board of the Government; and second, it has to run a business. That business may be of either one of two things: It may be either the chartering of vessels, bought with this $50,000,000 appropriation, to other people, so that private owners and private carriers may be stimulated to conduct the overseas business of the country without the fear of Government competition, or it may consist of the formation of a corporation or corporations in which the $50,000,000 may go and be used for the purchase of the chartering of vessels to be operated by the Government itself—the general running of a transportation business. You can see the two classes of functions, one the administrative function, such as the prevention of discrimination, the examination into complaints of various evils that arise in the shipping trades, the reporting on discriminations by foreign Governments, and the preparation of reports to Congress for future legislation. That is one class of function. Then there is the other, the operating or chartering a business. In that, I think, we are unlike any other Government board. There is no other board which is called upon by Congress to run a business which takes its place in the world of commercial activity.

As to the governmental function, we have to come to you for our appropriation. As to the business functions, we can either get the money from Congress or we can form these corporations and spend the $50,000,000 that is already appropriated to us through the bond issue. Our feeling about it is that we should not, if we can avoid it, enter into competition through a corporation with existing transportation agencies, and that we should do everything in our power to

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assist private American capital to continue the transportation business and new capital to go into it, and at the same time to persuade the American boys to man our ships. The charters which we should make when we get the vessels should be charters to private persons and to stimulate private interest in over-sea carriage. If we can not do that—as we can not unless we get the money from you for that purpose—we shall have to form corporations and enter into the shipping trade ourselves.

As to the funds for administrative purposes of the Government side of the activities of the board we have come to you, in any event. It will be a matter of the policy of Congress, expressed in the grant or nongrant of funds, whether it wishes us to go into this private corporation and enter into the field of management or wish us to simply have supervision over the ships we have, distributing them by charter to the private owners, to be used in over-seas trade, which will stimulate the flow of our products in various directions. Our hope is and our estimates are based on the theory that you desire us to give the experiment of private ownership and operation as long a trial as we can before we go over into the field of public operation by this series of corporations which we might form, and consequently we have asked for money for operating expenses.

In order that we may not increase the expenditures in our preferred plan over the method of corporation administration, it is our intention to spend not over $49,300,000 of our bond money unless an active military necessity compels us.

Mr. GILLETT. On the other hand, does it not do this really: If Congress appropriates $700,000, that makes the general appropriation, instead of $50,000,000, $50,700,000; and if you keep on in that way the $50,000,000 will still be in your hands and everything that goes to you now will be so much extra?

Mr. DENMAN. I think that is true. That is, we would have the $700,000 and we would have the $50,000,000; but if we do not get the money to administer these functions as contemplated, you compel us to form the corporations and force us over into the field of operating the corporations. We do not want to go there until the private operator forces us. We want to see the present shipping men and the sons of the present shipping men owners of the business. We do not want to disturb them.

Mr. SHERLEY. How far are you now able to segregate your estimate into expenditures for your board purely as a governmental agency and how far for its work in promotion of the merchant marine?

Mr. DENMAN. We have attempted to make a segregation of the functions, but they overlap in places. For example, we would have to have agents in South America to advise us on our charters, and those agents would be sending home reports of other South American conditions, and those reports would be taken over and considered by our division of investigation and legislation. One division would work into the other. The busiess agents would gather knowledge for scientific compilation.

Mr. SHERLEY. If it were possible to make a division of the sum total you are asking, then this committee and Congress subsequently could, by the amount of the appropriation, determine the policy.

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Mr. DENMAN. I think this, as engaging in business through the corporation or mere chartering, should be done only with the certainty that Congress has in mind what it is doing.

As above indicated, it would be unfortunate for our merchant marine if it did so, because we feel very definitely that if we are going to accomplish what has to be accomplished in the way of getting more men and more ships from private enterprise out there on the seas we should not tie the hands of private enterprise by the fear—which alone is enough to make them hesitate—that the Government is going to come in, and by the power which the Government has to artificially direct trade, destroy established private business.

The CHAIRMAN. Your present estimate is based upon the theory that you will not, unless an exceptional situation should arise, organize a corporation during the next fiscal year?

Mr. DENMAN. Yes, sir.

The CHAIRMAN. And if you do not organize the corporation then the entire $50,000,000, as the proceeds of the bonds, would be available for the chartering or acquisition of ships?

Mr. DENMAN. Yes, sir.

The CHAIRMAN. I understand that the money will be devoted exclusively to the acquisition of ships and not utilized in current or operating expenses?

Mr. DENMAN. Exactly. By chartering and not operating.

The CHAIRMAN. Through going concerns?

Mr. DENMAN. Yes, sir; by chartering only.

The CHAIRMAN. At this time the board has determined upon the policy of proceeding upon the theory that if it can be carried out it will be more desirable and beneficial not to organize the corporation, but to have the power of merely acquiring and chartering ships as they have operated under private owners?

Mr. DENMAN. That is the attitude of the board. Operation in trades needing stimulation over initial difficulties. If, after a fair trial, the trade will not support itself, the ships should go elsewhere. But the time of the experiment should be ample.

Mr. BRENT. The estimate is made on the assumption that Congress will appropriate the money to carry on all the departments provided for by all the various sections of the shipping law.

ORGANIZATION OF BOARD.

The CHAIRMAN. With that understanding would you now state how you prepared the estimate and how you segregated it, wherever possible? When was the board appointed?

Mr. BRENT. The members were appointed on the 22d of December.

The CHAIRMAN. And when did it commence its business?

Mr. BRENT. The appointees commenced their work just after Christmas.

The CHAIRMAN. When did the board commence to go to work—immediately upon appointment or after confirmation?

Mr. BRENT. No; we were at work between Christmas and New Years. The board organized formally on the 30th of January.

Mr. DENMAN. That was after confirmation.

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Mr. BRENT. In the meantime the work on these estimates were going forward and the outlines of our organization carefully developed.

Mr. GILLETT. Was there any appropriation for the board last year?

Mr. BRENT. $100,000, to continue until June 30.

LAW DIVISION.

Mr. DENMAN. We have made six grand divisions of the functions of the board. The law division is really a subdivision of employees. The function of the law division will be scattered to a certain extent throughout the different divisions. In the divisions of complaints—that is, the division of regulation of transportation—of course the examiners and experts will probably perform a large part of the work, and in many cases they will not be lawyers. The first administrative function is [pointing to the chart of organization] at the left of the second line. It is the division of regulation of transportation by water.

A part of the functions of the board will be the regulation of common carriers on the high seas and on the Great Lakes, and that regulatory duty flows from our requirement to hear complaints concerning violations of the act, discriminations, refusal to accept goods, and similar functions. I can tell you something about the present conditions there. There are two classes of discrimination that go on. One is the regular case of the big fellow trying to squeeze the little fellow, shipper or owner. The sea-transportation men favor the continuous customer against an occasional customer who wants to build up a new trade, and another class of carrier who is trying to monopolize entirely a certain line of trade so that his friends or his associates or those interested in a certain line of trade may have a monopoly. That is going on all the time. How much that is going to be, we, of course, will know accurately before very long.

We took this class of work up with the interstate commerce people and figured as to the prospective business under that head that we might have 300 cases to investigate a year. That investigation requires an examiner or a member of the board, and, so far as possible, it should be a member of the board so that he can keep in touch with actual business conditions as he moves from port to port, going out to the district in which the alleged violation has transpired and sitting there and taking testimony and having an expert and possibly an attorney with him. The expenses of the Interstate Commerce Commission, we are informed, are about $500 a case for that class of investigations. A very large portion of that is in the cost of the copies of the testimony, the record. Taking 300 cases at $500 each would bring us up to the neighborhood of $150,000. Our figures run up in the neighborhood of $160,000, because they include other operations shown by the chart of organization.

Mr. GILLETT. Would not your jurisdiction overlap the Interstate Commerce Commission?

Mr. DENMAN. Not in that class. There may be overlapping jurisdiction. We are going to be very careful to avoid that, because they have the superior power over us; wherever there is a conflict they prevail. What we want to do is to protect the shipping, not gather

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power. The Interstate Commerce Commission is very efficiently doing many things that come within that class of jurisdiction.

Mr. SHERLEY. Is not the trade commission in that field also to a certain extent?

Mr. DENMAN. Merely for the purpose of reporting. I do not think they have the general power of investigating discriminations in transportation on the water and to impose fines and penalties.

Mr. SHERLEY. But they are supposed to look into the question of unfair competition?

Mr. DENMAN. Yes, sir.

Mr. SHERLEY. In this case you are estimating on the basis of about 300 cases a year. Have you any real basis for an estimate as to the extent of these cases?

Mr. DENMAN. When you consider the hundreds of thousands of individual shipments in water-borne interstate and foreign commerce, it is much too small. We are not going to expand the employees in this division until the actual need arises, and we will not broaden the agency of the board until the business comes in to be performed by the board.

There is one class of cases that is coming in all the time—peace and war times.

Now come the war cases. The foreign shipping lines, and now their Governments, have constantly discriminated against our American merchants in oversea transportation. You can not cavil at that. That is perfectly natural for them to do. The result, however, is that the American merchant is being trimmed out of his business.

Mr. GILLETT. You mean that they are using their war power for the definite purpose of helping their trade and hurting ours?

Mr. DENMAN. No; not necessarily, but at least for the definite purpose of helping their trade, which they can tax. They say, "Our merchants are bearing the taxation of the war and that it is entirely justifiable. We should help them out." That is the instinct of every British and German shipowner; it is the instinct of every British and German captain; and it is the pride of every British and German commission house.

There are 4,000 alleged complaints of this class of discrimination now in the State Department, and during the last year there has been a falling off, merely because the complainants, or the possible complainants, have felt that nothing is being done for them. When we open up our channel of redress that rate of 4,000 in two years is going to be accelerated rather than diminished, and we have got to take care of these complaints.

The manner in which these cases arise is this: You are a New York mechant and you have a customer in Holland; you have had him for 30 years and you want to sell him a bill of neutral goods. The customer is not a part of a certain oversea trust and he is not in with the crowd that is running things between Holland and certain other foreign countries. You go down to the ship with your parcel of goods and the bill of lading and hand it to the master of the vessel, who is neutral. It is the Holland-American Line, for instance. He says, "I am very sorry, but you have not your letters of assurance," and you say, "What the devil are those?" and the captain says, "That is something you get from a certain foreign trade agent, so

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and so,' or his assistants." Then you go around to "so and so"—that is, if you can stomach it—and you say, "Please, may I trade with my old customer of 30 years over there? I want to sell him some liver pads. He has been buying this American nostrum all these years." Then "so and so" says "That is very nice, but your customer is not in with the trust, and we are controlled by some orders that make it impossible for us to give these assurances. Of course, we do not say you can not put your goods on this vessel, but we can not give you the letters of assurance."

You go back and persuade the Holland-American captain to go to sea with his vessel with goods to your old customer which are neutral goods. The vessel is overhauled by a man-of-war, because the items of the ship's manifest probably will get around to "so and so," the foreign consular agent. The vessel is overhauled by a man-of-war and taken into a certain foreign port. Now, what happens in that port is simply the ordinary visitation and search, and they spend a lot of time viséing and searching the vessel, and they do not find anything, and after the vessel has lost perhaps ten or fifteen thousand dollars in demurrage she continues on. The Holland-American Line has possibly got freight from you amounting to about $500, and has paid ten or fifteen thousand dollars in demurrage to get the vessel to its destination. It is very natural they are not going to accept business under those circumstances; but they have declined to perform the duty of a common carrier if they do not accept your goods, and the shipper may have his right against that company, and he can enforce his right before our body, if the facts are as I have described them, and we have got to adjudicate the case. Now, it is entirely conceivable, if the war continues for a couple of years, we will have a couple of thousand more of those cases.

The CHAIRMAN. Mr. Denman, there are cases like this of which I have knowledge: A concern in New York which imported bulbs from Holland for years had a number of shipments sent over here, and the mails in which the invoices were being transported were seized and examined and detained. The merchant or importer goes to the customhouse to get out his goods, and has no invoice. He can not get them out even by giving a bond, because he can not identify or locate them. Several weeks afterwards the invoices come over, and they deliver the goods, which are of a perishable character, and are then of no value. Does your board, under the law, have authority to investigate such cases?

Mr. DENMAN. Yes; whether or not we have jurisdiction to award damages, we may have to examine it to determine whether it is connected with the matters under section 26 of——

The CHAIRMAN (interposing). This is a claim now against an alien or a foreign Government.

Mr. DENMAN. Strangely enough Congress has given us the duty of investigating that.

The CHAIRMAN. Where is that in the law?

Mr. DENMAN. Section 26 of the law, page 10. We can not award damages under that section, but we can investigate and are compelled to investigate.

The CHAIRMAN. That would be a matter, at any rate, for representation through diplomatic channels?

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Mr. DENMAN. Yes; but Congress, as I understand it, has instructed us to prepare the story and the reason. As we understand it, what Congress had in mind when it gave us this authority was that it wanted us to study during the war the conditions that would undoubtedly prevail after the war, when the European nations, having nationalized their resources, begin to compete with us as national units. If Congress did not have that in mind, I am sorry, because it must be perfectly apparent to anybody who has studied European conditions to-day that Europe intends—each country possibly by itself—to enter into the world of trade as if entering into a big international war, and the instrumentalities they will use will be all the instrumentalities of government.

You know about the bunkering agreements which they now have, under which they are squeezing everything into the line of their trade and the ways they want their trade to run our ships. I had a client in San Francisco who had a bill of goods for Manila. This man, of an American house, was on the black list, and was the largest American exporting house on the Pacific coast outside of a certain foreign house. He wanted to send a bill of goods to Manila to an old customer. He found that the American steamship line going there would not take his goods, because the steamship line had a bunkering agreement with a certain European-owned port in China, which made them agree not to carry goods for a blacklisted person. Now, this was an American house, 50 years old, with a competitor who was a member of the legislative branch of a foreign government, trying to send his goods on an American steamship line to an American customer in the Philippines, and was not able to get it there. Now, I take it what Congress wants us to do under section 26——

Mr. GILLETT (interposing). By bunkering agreement, you mean they had to take their coal from them?

Mr. DENMAN. Yes.

Mr. GILLETT. It is not a great distance from China to Manila, and I should not think that would make very much difference.

Mr. DENMAN. No; but it is coming back. With the value of their tonnage to-day for purposes of carriage, they do not want to have to carry all the return coal out.

Mr. GILLETT. And they can not get it at Manila?

Mr. DENMAN. No; and consequently they have got us, and they have got the world. Talk about freedom of the seas, if they want to exercise their power there is no such thing as commercial freedom of the seas. We laugh at certain people for using that phrase, but it is a vital phrase when it comes to commercial warfare. They have got the freedom of the seas for themselves because they have got control of the necessities of steamships.

We see a way out of that for us in the use of the Diesel engine, which gives an enormous sailing radius to an oil-burning vessel. You can go almost clear around the world with the oil in your water-bottom space with a Diesel engine. The Scandinavian and Danish ships are already doing almost that. I have clients who come to California with the oil they have taken on in Norway. Ultimately we are going to get around the difficulties we now have, but no vessels burning coal can do anything but sign the bunkering agreements mentioned.

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Now, I take it that under section 26 it is our business to investigate whenever a complaint is made to us. That section provides:

The board shall have power, and it shall be its duty whenever complaint shall be made to it, to investigate the action of any foreign government with respect to the privileges afforded and burdens imposed upon vessels of the United States engaged in foreign trade whenever it shall appear, etc.

The CHAIRMAN. The case to which I have referred does not affect vessels, does it? This was a case of taking and searching the mails.

Mr. DENMAN. That, of course, is beyond us. I thought it had to do with the control of the invoice of the ship or the control of the bill of lading of the ship itself. It is a part of our duty of comparison of American and foreign shipping conditions.

Mr. BRENT. It does affect the goods as well as the ship.

Mr. CHAIRMAN. My understanding is that they seized the mails. It may be they took the ship's manifest and held that up.

Mr. DENMAN. And took the shipping papers, the actual bills of lading, and held them.

Mr. BRENT. That section goes on to say: "Or in respect of the passage or transportation through such foreign country of passengers or goods intended for shipment or transportation in such vessels of the United States."

It covers goods as well as vessels.

Mr. DENMAN. There are two classes of functions there, as you can see. One is a discrimination that ordinarily comes under our jurisdiction in time of peace, a discrimination which, whether it arises out of warfare or otherwise, we have got to take notice of; and the other is a discrimination of a foreign government itself under section 26.

Now, when the war is over other foreigners who have not yet had the chance are going to treat us just as badly, because in the South American trade they are now discriminating, or were before the war began, by throwing every possible ton of shipping of the manufactured products of their countries down to South America direct, and only bringing the raw materials from South America up here. They complete the third leg of the voyage back to Europe with American raw material to Europe, thus giving a continuous flow of their vessels so their manufactured products go to South America while none of their tonnage served our trade to that port.

And I have no doubt all of them will do this, both the Germans and the English. I am shipping on, say, an English line from California to Liverpool. I have a customer over there, and my British commercial rivals in San Francisco want to get my trade. The relationship between the British shipping house and commission house and the British steamship line is very close, and very soon I find that a smart Britisher comes to me and says, "You are selling to so and so in Great Britain. Now, your profit is such and such. The cost of transportation is so much. We will buy those goods from you right here in San Francisco at the dock and pay you enough to give you the same or better profit." I think it over and say, "Heavens alive! All my business through that British steamship line is goind to be viséed in this same way. I have not got a chance. I had better sell right here now." Now, the British house gets that foreign customer, keeps the trade for itself, and makes all the intermediate profits of trade. That is another form of discrimination.

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Germany will do the same thing, and I have an idea if we ever got into the game we would be doing the same thing, because that is human nature, and we are all alike. The question is whether or not we are going to have the instrumentalities and power to get around those things, because we can not change human nature, or whether we are going on in the same laissez faire method which has put all our foreign commerce or a very large portion of it in the hands of other people.

Mr. GILLETT. I thought the tramp steamers did the greater part of this transportation and would not be subject to such control.

Mr. BRENT. There has not been a tramp steamer of any value in the Gulf for 10 years. Our Gulf trade is absolutely controlled by the liners.

Mr. GILLETT. What do you mean by the Gulf?

Mr. BRENT. I mean the Gulf coast—New Orleans, Mobile, Galveston, etc. It is liner business. We do not know any other.

Mr. DENMAN. That whole tramp-steamer discussion arose out of the commerce of the port of New York. New York is so near to Washington that it gets its story in, but the exact reverse exists with regard to the potential commerce of the Pacific. Now, the trans-Pacific commerce used to be done, 25 per cent of it, by American bottoms; that has been cut down, we are reliably informed, to between 2 and 3 per cent through the competition of the Japanese and by the enormous freights that the Atlantic side now offers. But whatever may be the cause of its leaving us, the Japanese have gotten it. They are potentially the greatest maritime nation in the world. Their skill in handling their fleet is marvelous. Now, we want our ships to go back there, and we want to return with regular established liners, so our merchants can have a regular service between their San Francisco houses and their Asiatic houses. But what is likely to happen is this: As soon as they attempt to do that the Japanese may come in and take the "velvet" out of the transportation of the American liner competitor. Their governmental organization is so perfected that it may be very difficult for us to stop that by any form of regulation. We are not asking the power to regulate tramps, but we ought to have the power—and we are asking for it in a bill now before Congress—to be able to interrogate the Japanese tramp, so that we will be able to fortify the fellows who want to go into ther trans-Pacific business with a regular line by such legislation and regulation as may be shown by actual experience to be wise. In other words, whatever certain Congressmen may know that entitles them to say the liners are a wicked band of robbers on the Atlantic side, they are the people we must look to to give us our regular Asiatic trade on the Pacific.

Nobody saw any virtue in the liners' organization at the time the power over the tramp was taken away from us. They want to leave the tramp as an uncontrolled regulator of trans-Atlantic rates. What we want to do is to leave him as an uncontrolled regulator of rates, but to have the power to study him on the Pacific and elsewhere, so that, after we have gotten the statistics and information we need, we can really regulate him in some way or other so that he gives our American line a chance. We are asking for an amendment giving us the power not to regulate but to investigate the tramp competition. This will take some of the money we are asking for.

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The CHAIRMAN. Suppose you go on, Mr. Denman, and take up these divisions.

DIVISION OF WAR DISCRIMINATIONS.

Mr. DENMAN. The second division is a division of discriminations that are of a war character. I think they will continue after the military war is over and our trade wars begin, but there are 4,000 cases pending now, and we may anticipate there will be a very large number hereafter that we will have to investigate and actually to try for the purpose of assessing damages.

The CHAIRMAN. You estimate you will spend from $12,000 to $20,000 a month on that work, do you?

Mr. DENMAN. Yes; and maybe very much more. If so, we can come to Congress and obtain an emergency appropriation next fall. We do not fear that Congress will not respond if we have actual facts to show such increased needs.

DIVISION OF VESSELS AND TERMINALS.

In the division of vessels and terminals——

The CHAIRMAN. Is this to be a construction bureau or division?

Mr. DENMAN. Yes. This division is dual with reference to the two functions we have referred to. We are supposed to buy and construct vessels, and we are at the same time supposed to assist in devising types that will meet these emergencies. For instance, I was speaking of coaling ports. We must assist in the development of the type that will carry our goods without the need of stopping at foreign coaling ports. We must have immediately pretty wide study of that subject. We have got to spend experimental money. The money that is spent on the actual construction of the vessel will be paid out of the $50,000,000, but the supervision of it will fall in this division of vessels and terminals, and there we have provided a list of employees, naval architects, and inspectors, which is comparatively small. It is a necessary part of the functions of the board and a very important part of the functions of the board. It is both for the construction of our own vessels and to aid others by our types developed. We will lose some money in failures of types, but we will get it back a thousandfold if we succeed.

The CHAIRMAN. Will your work under this division in any way duplicate the work of the Steamboat-Inspection Service?

Mr. DENMAN. No; not in the least.

The CHAIRMAN. Your inspection will not be for the purpose of ascertaining the seaworthiness of vessels actually in trade?

Mr. DENMAN. No; other than our own fleet. We will have to keep our own fleet chartered out to carriers.

The CHAIRMAN. That would be the work that any commercial concern would do itself primarily?

Mr. DENMAN. Yes.

The CHAIRMAN. It will not be for the purpose of ascertaining the seaworthiness of vessels not under your control.

Mr. DENMAN. No; on the other hand, the experimental and scientific side of it will require the inspection of a great many vessels not for the advice of their owners but for our advice in developing

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the type, and for that work, of course, we must get some exceptionally good men. We can not get cheap men for that work and arrive anywhere.

DIVISION OF SHIPPING MANAGEMENT.

Now that last section concerns structure and the building of vessels, and the next division concerns the management of the chartered fleet. You must have a man who is looking after your tonnage, whether you charter it or own it, and somewhere in that line you have got to have a very expensive man. You have to employ a man on a par with the big shipping companies in New York, and they pay from $20,000 to $50,000 a year. We have got to get some one man of that type.

The CHAIRMAN. Do you?

Mr. DENMAN. Oh, yes.

The CHAIRMAN. Why?

Mr. DENMAN. Because the control of your fleet, chartered to merchants under charters outlining the proposed trade, is a very highly skilled profession. You get your information as to what the big men are doing by contract with them. We can not go in and take a partner, an American house, and haul that fellow up before the board and exact from him his business knowledge to find out whether we will charter what he terms a competitor; and we must have a man who knows the game in New York and San Francisco and is in constant touch and knows the men, in order to carry on the business. You see we are outside of the ordinary governmental functions. Congress has put us in business, but with the instruction that no board of directors ever gives its agents, namely, "Do not destroy other American traders in building up your own." I anticipate you do not expect a dividend from us, save in the national benefit from the newly developed trade.

The CHAIRMAN. That type of man who acts as a broker——

Mr. DENMAN. No; this is not a broker.

The CHAIRMAN. I mean the man who is chartering the ship and then peddling the space; that is the type of man you have in mind?

Mr. DENMAN. Oh, no; we will like to have a man with the skill of such men as Mr. Franklin or Herr Ballin, the German, who would feel at the same time that his board of directors were the American people. Gen. Goethals was such a man, but he was not trained in this profession. Herr Ballin is great because he is able to picture the whole world of moving commerce. He is able to tell whether or not there is going to be a drought in this country which will destroy crops here, whether or not there will be a tremendous shipment of cattle out of a certain district because there is not feed for them, whether or not Russia is producing a certain amount of meat. He is able to get a comprehensive world grasp of the flow of overseas commerce. (No German will admit there is another quite like him in the world, but he represents in some respects an ideal.)

Now, those are the men who create successful enterprises. You can not get them cheap. You might be able to find a freak somewhere who had not been recognized and who had not been broken in, but the chances are against getting such a man; and if you developed

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such a man he would probably go to private employment if he got low pay from us. I think we know where to go to look, but it will not be done quickly.

The CHAIRMAN. I asked you about the type of man you have in mind, because you are proposing to pay him from $10,000 to $18,000 a year.

Mr. BRENT. That is right.

Mr. DENMAN. I am quite certain that when we pick our man there will be an awful outcry, because we will probably be obliged to pick a man who is now playing in the game for somebody else, but in whom we recognize public spirit. That clamor will be in our ears and not in anybody else's. But we are ready to bear it.

DIVISION OF NAVAL AUXILIARY, NAVAL RESERVE, AND ARMY TRANSPORTS.

The CHAIRMAN. Your next division is the Division of Naval Auxiliary, Naval Reserve, and Army Transports.

Mr. DENMAN. The bulk of that work will be done by the Navy officials themselves, by assignment to us, but we must have some of our own men in there.

The CHAIRMAN. Just what will be your relation to Army and naval transports and auxiliaries?

Mr. DENMAN. Here is very likely what is going to happen: There will be a group of young merchants in New York who have got pep and ginger in them, who will come to us and say, "Here, we want to establish a line to South America"—and we want to get those boys in the game if we can—and we will say, "What type of ship do you want?" And they will say, "We want a half passenger and half cargo carrier." The Navy Department at that time is looking for colliers which will be available to them in case of an emergency. Now, we will have to adjust between those two demands—the demand of the merchants and the demand of the Navy Department.

The CHAIRMAN. You mean they will come to you to charter a vessel of that type from you?

Mr. DENMAN. They will not do that. They will come to us and ask us to build a vessel and charter it to us.

The CHAIRMAN. And then the question that must be determined is as to what extent you yield to their necessities and the necessities of the Government in case that ship is to be taken over?

Mr. DENMAN. Yes.

The CHAIRMAN. And that will be one of your divisions?

Mr. DENMAN. Yes.

The CHAIRMAN. The theory is that all these vessels that will be constructed will be of such types that they can be utilized either by the Army or the Navy in time of war?

Mr. DENMAN. Yes. But the Navy has come to recognize that it must not interfere too much with the standard merchant type of vessel.

Capt. YATES. Of course, every vessel the board builds will have to pass through the hands of some naval officer or naval constructor in reference to its type, and slight modifications may have to be made in a vessel so as to make it suitable for a naval auxiliary.

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Mr. DENMAN. There is another function, Mr. Fitzgerald, I neglected to mention, and that is, the encouraging of the white boy to go to sea as disinguished between the yellow boy on the other side and the brown fellow from the Malay Straits; that is, we want to get our white Americans on the sea as far as we can. The naval auxiliary end of it is one of the places where we can help. For instance, if you can create a permanent naval body on our ships which is of a quasi-military character, such as the English have, by the payment of a small sum——

The CHAIRMAN. Make them a part of the reserve, you mean?

Mr. DENMAN. Yes; and the men who will come under this naval auxiliary or naval reserve station of the plan will have that in mind also.

The CHAIRMAN. Would that be a sufficient inducement to encourage more young men to go to sea?

Mr. DENMAN. It is only one of the things we have got to offer them. The wages on the Pacific to-day and in the trans-Pacific trade are Chinese and Japanese wages. There is not a chance to run a white man's fleet there under economic conditions in the absence of high war bonuses. Now, you can run anything. You can almost run a railroad engine across the Pacific because things are so inflated, and they can put white men or anybody on ships now; but under normal conditions there is no chance of operating any of the present types of construction there to beat the Japanese, and there will have to be something a great deal more than the offer of a dollar or two a month as a naval reserve member, such as to buy him a uniform and all that sort of thing, to coax our boys. This, of course, will help in part.

CHIEF CLERK'S OFFICE.

The CHAIRMAN. The next is your chief clerk's office. Under your scheme of organization you estimate for 50 clerks, all under the chief clerk, to be distributed in these various divisions as the requirements of the divisions necessitate.

Mr. BRENT. That is the idea.

The CHAIRMAN. Is the great bulk of the administrative function of the board to be concentrated in Washington?

Mr. BRENT. Not altogether, but largely as to clerical force.

The CHAIRMAN. Or how much of these activities would be outside of Washington?

Mr. DENMAN. Here is what will happen: There will have to be a number of employees at the different ports, and a certain amount of clerical work there. But the bulk of the work will be investigation of complaints with the investigators going out and trying cases and sending their reports back to Washington. Those men will be traveling. A man will try three or four cases in New Orleans and then go to San Francisco or Galveston, or over to Mobile, and then return to us; but this clerical force is the force in Washington, collating and handling and administering the work there.

Mr. BRENT. It includes stenographers and filing clerks and the like.

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Mr. BRENT. These estimates, Mr. Fitzgerald, are necessarily arbitrary. We have assumed so much work in connection with an assumed number of cases, and the fact that it takes just about so much clerical and stenographic work to maintain your organization.

The CHAIRMAN. What organization have you at present?

Mr. BRENT. Only enough for the preparation of the estimates and outline of our plan.

The CHAIRMAN. But what organization have you now?

Mr. BRENT. We have three stenographers and an assistant disbursing officer.

The CHAIRMAN. You have now five commissioners?

Mr. BRENT. Yes; five commissioners.

Mr. DENMAN. We have three private clerks to the commissioners. I have not any yet.

Mr. BRENT. And I have not one yet.

The CHAIRMAN. Mr. Stevens can not have one yet, because he was only named yesterday or the day before, so where has the third one gone?

Mr. BRENT. The third one is a law clerk.

The CHAIRMAN. Then you have really two clerks with the commissioners.

Mr. BRENT. One is named for a commissioner who may take him a little later on, but he is now doing a law clerk's work. We only got a disbursing officer yesterday and the three clerks we now have are loaned to us by other departments.

The CHAIRMAN. How many clerks have you all told?

Mr. BRENT. Three, and Capt. Yates as a consultant, and a telephone girl.

The CHAIRMAN. That is your whole staff so far?

Mr. BRENT. We have just hired one man thus far, and the others are loaned to us.

Mr. DENMAN. I have been doing all the law work and we have been running it as if it were a private corporation; that is, we had a rowboat and wanted to make a fleet out of it. In further answer to your question, Mr. Chairman, I desire to say we have not made any attempt to employ anybody until our fifth member is appointed so we can have the unanimous consensus of the board itself on the personnel of its appointees. The few people we have around us have been persons absolutely necessary for us to even jot down the outlines of our proposed organization.

SALARIES.

The CHAIRMAN. You have outlined a disbursing-office force consisting of four persons, which could be supplemented by any clerical force from the force of 50 clerks in the chief clerk's office and a division of dockets and documents consisting of two persons. Now, in fixing the compensation of these chief clerks and assistants, what did you take as the basis for that?

Mr. BRENT. Similar employees in the Interstate Commerce Commission and the rate of pay which they received. We fixed the salary of our assistant disbursing officer, who takes the place of a cashier, at a figure slightly less than the one which we here indicate. We have simply put here the skeleton of an organization which is based

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on the same kind of organization in the Interstate Commerce Commission.

The CHAIRMAN. Under the law all of your employees, with the exception of the secretary——

Mr. BRENT. We have not hired a secretary yet.

Mr. DENMAN. We are going to build up our organization around our functions as we exercise them. We know our business from the ground up and want to do the first work ourselves, as far as possible.

The CHAIRMAN. Under the law, with the exception of the secretary, a clerk to each commissioner, attorneys, naval architects, and such special experts and examiners as the board from time to time find necessary to employ for its work, all employees of the board shall be appointed from lists of eligibles to be supplied by the Civil Service Commission in accordance with civil-service law?

Mr. BRENT. Yes.

The CHAIRMAN. What class of employees come within this designation of special experts and examiners?

Mr. BRENT. Those who have a star before them on the list.

The CHAIRMAN. I understand that, but you have indicated here in your outline of organization those employees who are not to be drawn from the classified list, and in various places you have some such positions as chief examiner and assistant chief examiner and special examiner, experts and investigators, now what class of work are they to perform and what would be the general qualifications of the men required to perform the work you have in mind? You have indicated there are certain positions that will not be within the classified service. Now, what class of work will be done by persons filling those positions and what, in a general way, are the qualifications required of such persons?

Mr. DENHAM. First, take the duties that are analogous to the Interstate Commerce Commission. There arises, say, a charge of discrimination in the port of San Francisco. We send out an examiner and, if it is an important case, probably an attorney will go with him. Now, the chief item of expense in that examination is the record. If you send out a first-class man his record will be about one-third as much as the record of a man who does not know how to handle himself.

The CHAIRMAN. Is he to be a lawyer?

Mr. DENMAN. He may be a lawyer, or he may belong to that body of transportation experts, a very large body in America, which has drawn to it some very shrewd minds and very able and efficient fellows, when they are good. Now, such a man must be a high-water man for efficient service. He will pay his salary ten times over in shortening his records, and proper economy in our administration will require us to use the greatest of discrimination in picking out the character of men we get there.

The CHAIRMAN. Do you mean that these examiners are to be men who have peculiar knowledge regarding shipping transportation and the shipping business?

Mr. DENMAN. Yes; or the type of man who can develop the capacity to handle shipping accounts and shipping transactions. We expect to develop some young men who can do that if they show the

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exceptional qualities we require. The most of the men will be of previous specialized experience.

Mr. BRENT. They would also be drawn from the very highest class of employees of exchanges, State railroad commissions, and bodies of that character—experts in their line, who have had a great deal of experience in handling intricate traffic problems. Railroad organizations frequently furnish trained minds of that character.

DISCRIMINATIONS AGAINST VESSELS AND SHIPPERS.

The CHAIRMAN. You are asking that of this $700,000 $175,000 be restricted to the investigation of discriminations against vessels and shippers?

Mr. DENMAN. Arising out of war conditions.

The CHAIRMAN. It does not say that, but provides that $175,000 of this appropriation be available only for the purpose of investigation of foreign discrimination against vessels and shippers of the United States.

Mr. DENMAN. The reason we segregated it in that way is because we wanted to show that a part of the appropriation arose out of extraordinary conditions, and we trust (though fear the contrary) that this demand will not continue after the war.

Mr. SHERLEY. But the point the chairman makes is that while it relates to a certain character of discrimination, it does not further designate it as discrimination arising out of the war.

Mr. DENMAN. The word "foreign" there shows that.

Mr. SHERLEY. Except that they might be of a class that would arise in normal times and yet be foreign ones, and we rather got the impression you were dealing with matters that would come up by virtue of the European war.

Mr. DENMAN. Of course, any such subclassification will have its rather indefinite fringes; but there is a definite body of cases arising out of our present foreign relations, and we did not want Congress to have the impression that that sum of $175,000 would be likely to be demanded when that state of affairs ceased. We do not consider it normal.

The CHAIRMAN. So that eliminating the war conditions and the discriminations that have arisen as a result of the war, your request is practically for $525,000 for the performance of the functions devolving upon you under the shipping act?

Mr. DENMAN. Yes.

The CHAIRMAN. You are asking that $100,000 of this particular sum be made immediately available. Do you expect within the balance of this fiscal year to commence the investigation of these complaints?

Mr. DENMAN. If we do not have war we will commence almost immediately; we must commence when cases are presented to us. I want to qualify that last statement by saying that the President's proclamation has thrown upon us the viséing of all chartering of American ships and all sales of American ships to foreign countries. That is a function not contemplated by us at the time we outlined this plan of organization. How far this is going to develop as an item of expense to the Government we can not tell. We have been able to handle, in a preliminary way, some 12 or 15 cases that have

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come in which are evidently the precursors of many more of the same type without any increase of our forces. The reason for that has been that they are matters for the direct determination by the board itself. Undoubtedly, as they increase a very considerable clerical force will be required for them. It will be our endeavor to shape into the functions of the clerks we have provided, the performance of these extraordinary duties.

RENT OF QUARTERS.

The CHAIRMAN. Where is your office now?

Mr. DENMAN. In the Munsey Building.

The CHAIRMAN. Then you have rented quarters?

Mr. DENMAN. Yes.

The CHAIRMAN. Have you any definite idea of the amount of space you are going to require in Washington?

Capt. YATES. We estimated that within a year we would need somewhere between eight and nine thousand square feet of space.

Mr. DENMAN. You will notice, Mr. Fitzgerald, that in our summary of estimates by quarters we have developed a growing rate of expenditure that fits in with the statement we made that we want to develop the organization with its functions and not try to start out with a complete organization without knowing what we are going to do with it by actual experience and contact with the emergencies and incidents as they come to us.

Mr. BRENT. And even building it up gradually, it amounts to $700,000.

EUROPEAN GOVERNMENTS FURTHERING THEIR FOREIGN TRADE.

Mr. SHERLEY. Previously you were speaking of the activities that would unquestionably come on the part of European Governments in the furthering of their foreign trade. Could you tell us what their activities are at the present time along the line that is embraced within the purview of this act?

Mr. DENMAN. I am familiar only with the methods of the British Government in connection with their controlling their avenues of transportation to subserve the national needs, both as to the supply of food and necessaries and as to their naval operations.

After some months of painful experience the British finally developed an organization which is administered in part by the Admiralty, their navy department, and in part by the board of trade. The British Board of Trade is made up of a number of the leading merchants of the country and experts of various kinds, members of my profession and others, and is headed by a member of the British cabinet. Every kind of British shipping to-day is under the direct control or the powerfuul indirect control of one of these two agencies. The direct control consists in their commandeering either the total vessel or a charter on a vessel or space on a vessel that either one of these two branches of the Government might need. The indirect control is exercised in part in this way.

Early in the war the British, through some method of arbitration, determined upon the chartering rate for all vessels commandeered. The chartering rate at the present time and also immediately after-

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wards reached a very much higher point for general uncontrolled commerce. So it was a distinct advantage to the British ship owner not to be commandeered. In commandeering they took proportionately from the different fleets of the different owners. They commandeered vessels, leaving to each one of the ship owners a certain number that they are free to operate at the going high rates of charter and carriage. At any moment they may commandeer the next vessel. So with the power that is in the admiralty and the board of trade they are able to suggest, without commandeering, that it would be advisable for the vessel to go to this place or that place, or to take care of this trade or that trade, or to neglect this trade or that trade. They have done that, nationalizing their commercial resources. They have favored those trades which are distinctly British and they have neglected other trades. Underneath is a tremendous stimulation of the business of certain British houses and, of course, a great neglect of the commercial and carrying needs of foreigners. It is inconceivable that that power which Great Britain has developed in her governmental agencies is ever again going to be given up. It may be modified hereafter, but with men of the type now in control of England it will never be lost. Its efficiency far exceeds any other organization that the world has ever known, barring possibly that of the Japanese Government in its relationship with its carriers. The Germans will not be behind them when the war is over.

When America tries to put its fleets on the sea at the termination of this war—I am speaking now of its merchant fleets—it is going to meet the warring competition of that very highly developed function of Government. We are going to have a very hard time of it, unless something like that is developed with us.

Success in developing over-seas trade does not flow either primarily or directly from cheap and efficient methods of transportation, but flows from the combination of the energies of the merchant, the foreign banking branch, and of the carrier. A foreign carrier carrying for the American merchant to South America with a large fleet can so distribute the sailing of its vessels that it stimulates the trade of its own carrier and depresses the trade of its opponents. You can do this by giving an insufficient service, by failing to get the cargoes of the American merchant regularly to the foreign consumer, and furnishing regular and efficient transportation to the merchants of its own country. It can, through such a line, give its merchants the information that it gathers in the carriage of cargo for its alien competitors.

Great Britain had succeeded before the war by a marvelous extra-governmental cooperation between its merchants, bankers, and its sea carriers. Until the war only in part have the energies of the British Government contributed to the stimulation of those trades, but during the war they have learned to combine the two, and, as I have said, we must face that increased efficiency flowing from that knowledge of the use of these powers.

The CHAIRMAN. You spoke a little while ago of the difficulty that the American shipper would have, and has now, shipping to neutral countries on neutral ships because of the inability to get letters of assurance. My attention was called to a case of this character. A New York merchant was approached with an offer for certain mer-

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chandise to be shipped to South America, and he refused to enter into any negotiations until the prospective purchaser had obtained some kind of a consent from the British consul that he could sell those goods. Is that the letter of assurance?

Mr. DENMAN. No, sir; that is another implement.

The CHAIRMAN. Another form of discrimination?

Mr. DENMAN. Yes, sir.

Mr. MONDELL. Under your contemplated division of discrimination of foreign governments and individuals against American shippers and vessels, it is your duty to inquire into and to investigate the action of foreign governments with respect to the privileges afforded and to the burdens imposed upon vessels of the United States engaged in foreign trade, etc., and I understand that you are having many cases lodged with you direct of complaints against these discriminations and these alleged unfair and hostile acts of foreign governments. Are they coming to you direct or are they going to the State Department?

Mr. DENMAN. They are going to the State Department. The reason they are going to the State Department is because, up to the time of our organization on January 30, that was the only body who had that duty. They have accumulated these 4,000 cases, many of which will fall on us, and we have got to investigate all of them for the purposes of the report that Congress has commanded us to make.

Mr. MONDELL. Those cases are not now coming directly to you; that is, the parties are not bringing them to you?

Mr. DENMAN. We have not organized for that purpose yet. We have had inquiries as to when they should be presented.

Mr. MONDELL. Do you anticipate taking up those cases that have been filed in the State Department and examining them?

Mr. DENMAN. If we follow the mandate of the statute, we must do it.

Mr. MONDELL. But not for the purpose, however, of preparing the cases for presentation diplomatically?

Mr. DENMAN. No; not our diplomatic presentation, but to assist the proper diplomatic officers.

Mr. MONDELL. For the purpose of reporting to the President and with a view to having such action taken as will prevent a recurrence of that sort of thing. Is that it?

Mr. DENMAN. That is one part of our function. The other part is to hear and determine and assess damages where the vessel being a common carrier declined to accept goods. We may have a thousand such cases—reasonably expect that number. Over 3,000 of these cases in the State Department could have come to us if we had been organized.

Mr. MONDELL. I am not speaking of that class of cases. I am speaking of the classes of cases in the nature of claims filed in the State Department—I did not know but what the cases might be brought to you in the first instance—charging acts of hostility or discrimination by one or the other of the warring powers?

Mr. DENMAN. As that claim lies in the State Department we have got to examine it and embody it in our report, and that claim also has another feature—the ship which is a common carrier usually is the offender, so that the shipper of goods may not only have a claim

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against the British Government, for instance, for interference, but they have a claim against the common carrier itself for having failed to perform its function.

Mr. MONDELL. But many of these cases do not involve a complaint against the carrier. They are, for instance, for detention of American vessels at British ports, the refusal of the British Government to allow vessels to pass into alleged blockaded areas, and all that sort of thing. Those are really complaints made as the basis for claims through diplomatic channels.

Mr. DENMAN. We are supposed to report on many of those under section 26.

Mr. MONDELL. But you do not go into them with a view to preparing them for diplomatic representation; that is a function of the State Department.

Mr. DENMAN. Yes. But our investigations will assist, and I may say our proffered assistance has not been without welcome.

Mr. MONDELL. And so far as those cases are concerned the only way in which you investigate them is for the purpose of making reports.

Mr. DENMAN. But suppose we have an aggravated case in Hongkong which really represents a principle. We may have to send out there and take testimony in Hongkong in order to report on that case. Although it is not the basis of a claim, it is the basis of a discovery of a method of discrimination. At the same time and out of the same kinds of action may come a direct complaint to us against a British common carrier who is declining to accept the goods destined to Hongkong for a blacklisted American firm, a San Francisco merchant.

Mr. BRENT. Under another provision of the law which requires an investigation for the purpose of correcting such a condition and awarding damages.

Mr. MONDELL. So, as a matter of fact, you feel it is incumbent upon you to investigate all those cases that are filed in the State Department?

Mr. DENMAN. Of course, we may find that there is a group of cases all alike. We will say "We have investigated carefully this case and the facts are so and so. The claim filed by this other gentleman is identical in its facts. Now, this line of discrimination presents this evil."

The CHAIRMAN. Arising from the detention of one ship there may be a great many claims?

Mr. DENMAN. Yes.

Mr. MONDELL. In connection with one of those cases that was not called to your attention directly, but which came to your attention through filing a claim or a complaint in the State Department, you might find it necessary to interrogate the parties in interest or the parties who filed the claim or made the complaint for the purposes of your investigation and information with regard to that particular kind of discrimination?

Mr. DENMAN. Yes.

Mr. BRENT. It might arise in this way, Mr. Mondell: The man might live across the water, and he would not dare to put certain

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, 1917.

	$19,600
	4,500
	3,200
	12,000
	6,000
	6,000
	6,000
	700
	22,000
	20,000
	$100,000

ble this

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cts relating to the matter in writing. In order to get at the true cts we would have to go and sit down with him or send somebody sit down with him who could get us the facts, not for publication t for the benefit of the United States Government. Those things e occurring in our own country to-day. We know there are things ey want to tell us, but they do not dare to put it in writing for r they will be immediately cut off.

Mr. DENMAN. It is not pleasant to see American merchants cringe any power. They had to submit to German and other discrimination before the war and will have to meet it again after. Now, it ppens to be mostly British. These nations are all alike and will ntinue to be so so long as competition reigns on the sea. Every true merican rejoices that Congress is keenly awake to this need for protion.

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